Conference Provides Deep Discussion to Help Shape Future Farm Programs

A national forum on American agricultural policy held on Nov. 7-8, 2011, in Fargo, ND, enabled leaders from the agricultural industry to discuss key issues influencing the next Farm Bill.

The conference, “2012 Farm Bill: Issues and Challenges,” was organized by U.S. Sen. Kent Conrad, D-N.D., and Dr. Won Koo, Director of the Center for Agricultural Policy and Trade Studies at NDSU.

The conference convened with opening remarks by Dr. Ken Grafton, NDSU Interim Vice President of Agriculture and University Extension, followed by welcoming remarks by Dr. Dean Bresciani, President of NDSU. The speakers included elected leaders, nationally renowned experts on agricultural policy, and commodity group leaders. About 235 people attended the conference and engaged in deep discussions on a broad set of topics.

● ● ● GOOD TIMING

Many speakers commented that the timing of the event could not have been better. In October, the House and Senate Ag Committee leadership recommended $23 billion in cuts over 10 years from the Farm Bill to the Joint Select Committee on Deficit Reduction (the “Super Committee”). At the time of the conference, the Ag Committee leaders were working to proactively provide a five-year legislative proposal before Nov 23.

● ● ● HIGH IMPACT

While the farm program is a small portion of the overall federal budget, the impact is critical to the overall national economy, so it’s important to get the policy right, many speakers emphasized. U.S. Senator John Hoeven said, “Good farm policy benefits every single American with the highest-quality, lowest-cost food supply in the world.”

● ● ● UNCERTAINTY AHEAD

Dr. Koo concluded the event by saying, “U.S. agriculture is highly efficient and competitive. U.S. agriculture is one of very few sectors of the U.S. economy which has a trade surplus rather than a trade deficit. However, agriculture is facing great uncertainty because of climate change and globalization. Globalization is good; it opens our markets. On the other hand, it creates uncertainty with exchange rates, markets, and prices. Our producers need protection from this uncertainty. The new Farm Bill must be centered on ‘safety net’ and cost efficiency.”

MAJOR THEMES

Koo summarized the major themes of the conference as follows:

- The federal budget deficit is a major constraint in formulating the new Farm Bill.
- The new Farm Bill should focus on a safety net by enhancing or maintaining the current crop insurance program and reducing direct payments if required under the deficit reduction policy.
- Continued funding for agriculture research would improve ag productivity and competitiveness.
- The Conservation Title should be simplified and consolidated.
- The Energy Title should be maintained or enhanced, particularly to improve the biofuel infrastructure.
“The farm bill has been a smart investment for this country.” — Amy Klobuchar

Lawmakers Discuss Political Environment for Farm Policy

Senators Kent Conrad, John Hoeven, and Amy Klobuchar, all on the Senate Ag Committee, along with Rep. Rick Berg, spoke about the current political environment for farm policy at the 2012 Farm Bill Conference.

Their policy priorities for the bill include strengthening crop insurance, introducing a shortage-loss revenue assurance program, ensuring smart changes to conservation efforts, maintaining ag research, focusing on strong sugar and dairy programs, reauthorizing livestock disaster programs, and expanding renewable energy.

Robert Carlson, President of the North Dakota Farmers Union, moderated the discussion, hearing opening comments from each official and taking questions from the press and audience.

The farm bill has been a smart investment for this country,” she said. “We don’t want to be dependent on foreign food the way we are dependent on foreign oil.”

Agribusiness has been a bright spot in a rocky economy, she said. Innovation is one of the main reasons that the Minnesota economy is doing better than the national average. She cited a 22% increase in ag imports and a 22% increase in ag exports from 2009 to 2010, and a production of $18B of goods in 2008. The major food companies in the state who export their ag products to other sectors, and ag equipment represents some of our top exports.

While outlining priorities, Klobuchar emphasized the need to preserve and strengthen crop insurance, since it has seen cuts in the past. She also discussed the importance on creating a safety net for dairy producers. “Dairy is probably the group that has been hit the hardest. We’ve lost half of our dairy farms in Minnesota from 1997 to 2007.”

On the priority of renewable energy, Klobuchar said she’d continue her efforts to provide biofuels infrastructure funding. She said the biofuels industry knows there will need to be funding cuts. This summer, Klobuchar, along with Sen. Thune and Sen. Feinstein put forward a plan to end the Volumetric Ethanol Excise Tax Credit in exchange for alternative fuels infrastructure funding and extended subsidies for small ethanol producers and cellulosic producers. The plan was backed by the ethanol companies and got attached to a $1T for a vote. “They were willing to give up the rest of their subsidies – giving $1.2B back to the taxpayers,” using the small remaining amount for small producer tax credits, celulosic efforts, and blender pumps, she said. “It certainly showed that biofuels is willing to come to the table and hopefully we’ll be able to work something out like this going forward. I have heard that the REAP program will remain,” she said.

Sen. John Hoeven, R-N.D.

“We see this as an opportunity. The Ag Committee is actually working with the Joint Select Committee of Deficit Reduction in the way that the Budget Control Act intended. The intent wasn’t that this Joint Select Committee was just going to sit and figure everything out on their own. The intent was that by Nov. 23 when they make their recommendation, ALL the committees in everything out on their own. The intent was that by Nov. 23 that this Joint Select Committee was just going to sit and figure the way that the Budget Control Act intended. The intent wasn’t working with the Joint Select Committee of Deficit Reduction in...”

The Super Committee was not able to come to an agreement by the Nov. 23 deadline, so it will go to sequestration and budget cuts will happen automatically.

In this situation, Conrad said, “Our best estimates are we lose $15B. The Super Committee has then lost its opportunity to direct the other savings; it’s all determined by formula. But then you still have to write a farm bill, which means we’d go into it next year and you can be sure that it wouldn’t be just $15B. They would come back at us for a second bite at the apple.”

“And maybe another,” Klobuchar added. “Having that five-year consistency – trying to get a locked-in number – is going to be incredibly important because the last thing we want to do is to be nickelled and dimed year after year and have our safety net eroded.”

The $23 billion in cuts over the next 10 years represents $1.3B net out of commodity titles, $6B from conservation and $4B from nutrition administration, Conrad said. This would phase out direct payments but replace it with the revenue assurance program to cover shallow losses on price or quality.

“The savings have been agreed to,” Conrad said. “Now we have to get the policy right. If we got the policy wrong, it would cost us far beyond this five-year program.”

“If we can formulate this policy now, we’re not in the middle of next year trying to write a Farm Bill,” Hoeven said, citing the difficulty of doing that in an election year. “So this is an opportunity if we can get it done.”

While outlining priorities, Hoeven said crop insurance is a top priority for all parties and they are pushing for it to not just be sustained but enhanced. “We need to make sure our producers, our farmers and our ranchers have the same opportunity to be insured that all our businesses do to protect them for the long term. Remember, that’s what we’re talking about with the Farm Bill, not just the here and now, but just the today but what we do over time.”

Hoeven added that he’d like to see more flexibility in the Conservation title to address watershed issues, and he wants continued investment in ag research. “People underestimate what we’ve done with ag research – the productivity gains for food, fuel and fiber in this country are huge,” he said. “Improvements in disease resistance, quality and yields help producers and help our country compete in a global market.

Sen. Amy Klobuchar, D-Minn.

Klobuchar said she would focus on agriculture as part of our country’s competitive and economic agenda. “The farm bill has been a smart investment for this country,” she said. “We don’t want to be dependent on foreign food the way we are dependent on foreign oil.”

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In a related effort, Berg spearheaded a group that pushed the Panama, Columbia, and Korea Trade Agreement, which came through to fruition recently. Besides cutting spending, boosting the economy is also necessary to solving the financial crisis.

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Michael Scuse, Acting Under Secretary, Farm and Foreign Agricultural Service, shared the positive impact of agriculture policy reform and outlined his agency’s priorities for the next Farm Bill, including crop insurance, research, expanded markets, and biofuels.

Federal farm programs have provided a safe, stable, secure food supply and ample business opportunities for farmers and ranchers, he began. “American agriculture right now is going through some very, very good times,” Scuse said. “I know there have been disasters from one end of the country to the other, but in spite of that, American agriculture is standing tall when you look at where we are in relationship to the rest of the United States economy.”

He praised producers in our country as the best in the world because they embrace innovative ideas and new technology, learn and adapt. Every year, they focus on increasing production, decreasing cost, and improving the environment, and they know how to manage risk and operate good business practices.

“It’s their innovation that let’s today’s farmers grow just about twice as much as their grandfathers did just 50 years ago. Think about how far we’ve come in a very short period of time,” Scuse said. “Their commitment and focus mean American people consistently pay less for their food today than most other countries in the world. We are giving the American public a really great deal.” He said Americans pay 6-7% of their income on food, compared to more than 60% in Indonesia.

Agriculture is the backbone of our economy, Scuse said. “Agriculture is responsible for 1 in every 12 jobs in the U.S. As America recovers from the biggest recession since the Great Depression, we’re seeing a very strong agricultural economy.” He said net farm income was at the highest levels since early 1970s, farm credit is starting to expand, total farm debt is down, the U.S. has enjoyed a trade surplus for the last 50 years, and ag exports are at some of the highest levels in history. Ag programs have helped create or save 250,000 jobs over the last two years, he added.

“With that good news in mind, all of us here are following the policy discussions in Washington. There’s no doubt the next farm bill will be smaller than the last farm bill. In this environment of constrained resources, we must look for ways to do more with less,” Scuse said, explaining that the agency expected to streamline programs and drive efficiencies.

Scuse outlined Agriculture Secretary Tom Vilsack’s priorities for the next Farm Bill.

“The Farm Bill should continue to promote vibrant, fair and diverse markets at home as well as abroad.”
– Michael Scuse

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ROBUST SAFETY NET
“As we have seen in every corner of the country this year, disaster can be devastating to agriculture,” he said. Citing flooding over millions of acres of cropland in North Dakota, drought and fire sweeping across the southwest, an early frost in the southeast, and a hurricane in the northeast.

“While crop insurance is always the first line of defense, it isn’t designed to make up the whole safety net.” The disaster programs we do have are doing a good job, he noted. “With the help of the Recovery Act, we’ve been able to provide more than $3 billion to folks under disaster programs. Those programs are important enough that President Obama has called on Congress to reauthorize the five farm bill disaster programs which expired Sept. 30.” One that Scuse called out was a disaster program for livestock producers.

Future safety net programs must have faster delivery of assistance, be simpler for producers to understand, be easier for agencies to administer, be justifiable and accountable, and reflect the diversity of American producers, he said.

Young farmers, in particular, benefit from a safety net. Sec. Vilsack wants to add 100,000 new producers and is focusing on strengthening the next generation in agriculture. “The average farmer today in the United States is 57 years old, and that number will continue to rise,” Scuse said. “Meanwhile, the number of farmers under the age of 25 has continued to shrink, falling 20% in the last agricultural census.

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RESEARCH
Scuse emphasized the need to continuing investing in research to maintain the leadership position of American agriculture and drive future breakthroughs. Studies show that public investments in agriculture research earn $20 for each $1 invested, he said, but unfortunately funding has been flat since the 1990s. Public funding is critical since some areas are not being covered by private research.

“Failing behind in ag research has real consequences for agriculture,” he said. “Our farmers have the will and the capacity to outperform the rest of the world and, with the right investment, we can support them in those efforts.”

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CONSERVATION
“Conservation is equally important to sustainable productivity and it supports a healthy productive soil and a plentiful water supply,” Scuse said. “The Farm Bill should continue its commitment to improving conservation by maintaining robust, voluntary conservation assistance programs.”

As an example of the impact of one program, CRP has saved and protected 8 billion tons of top soil over the last 25 years. Last year alone, CRP lands sequestered 51 million tons of carbon and protected 200,000 miles of rivers and streams.

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EXPANDED MARKETS
“The Farm Bill should continue to promote vibrant, fair and diverse markets at home as well as abroad for farmers, ranchers and growers of all types and all sizes,” Scuse said, adding that supported exports and jobs. “We should expand opportunities here at home for producers interested in local and regional markets and continue to support specialty crops producers and programs.”

Scuse said everyone needs to advocate the broad benefits of the Farm Bill, from the Supplemental Nutrition Assistance Program, to programs that benefit producers, to support for biofuels.

“We need to make something clear to the 98% of Americans who don’t farm. It may be called the Farm Bill, but it affects every single American, every single day of their lives,” he said. “It’s about making sure every American has access to healthy food, it’s about keeping America at the forefront of agriculture research, and it’s about generating energy from our homegrown crops.”

Michael Scuse

Hagstrom Speaks About Media Influence on Ag Policy

Prize-winning agricultural journalist Jerry Hagstrom gave an entertaining speech at the evening banquet, speaking about the media’s influence on ag policy.

He outlined factors that influence the coverage of agriculture and ag policy, including a high turnover of journalists, word limits and time limits, and the continual search for new angles and conflicts.

About Media Influence
Jerry Hagstrom Speaks

Michael Scuse

Michael Scuse Outlines USDA Priorities for Farm Bill

Vilsack's priorities for the next Farm Bill.

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Sen. Kent Conrad opened the 2012 Farm Bill conference by outlining the budget context as a critical consideration for the farm bill and providing his high-level priorities for farm legislation.

Conrad said it’s critical to our state and to our country that agriculture participates in the spending reduction but also that we get the details of the legislation right. At the time of the conference, he said he had not seen a proposal in writing.

“In North Dakota, we receive about a billion dollars a year in farm payments and disaster aid. It’s an incredible important part of this economy,” he said. “Without it, many of our farm and ranch families would be in serious jeopardy especially when prices are not as favorable as they are today. Nothing is permanent when it comes to agriculture. We have to make certain there’s a safety net if we see a dramatic price decline or we see natural disasters or we see quality losses from any number of factors.”

“But we also know we face very serious budget challenges in our country,” he continued. “As chairman of the Senate Budget Committee, I’ve wrestled with these issues for many years.”

The Joint Select Committee on Deficit Reduction (also called the “Super Committee”) is tasked with getting our federal spending under control.

“Most objective third parties who have looked at our debt condition in the United States have concluded that we need $4 trillion of deficit reduction over the next 10 years. $4 trillion will stabilize the debt and begin to bring it down as a share of our economy,” Conrad said. “We are borrowing 40 cents of every dollar that we spend. That is not a sustainable circumstance. Right now our gross debt is 100% of our gross domestic product. The gross debt of the United States is $15 trillion; the size of our economy is $15 trillion.”

Citing research, Conrad said, “When a gross debt is more than 90% – and we are already beyond that – your future economic growth is reduced by 25-33%. So this really matters for the future economic prospects of our country. And that’s why this cannot be kicked down the road any longer. We need to face it up to. We need to make decisions. Even though they are controversial decisions and even though they are going to create some pain in the short term, it is infinitely better than letting this cancer grow. And if we have any doubts about the failure to act, all we have to do is look across the pond.”

Conrad said the situation is a result of spending being at or near a 60-year high and revenue being at or near a 60-year low. “To address it, we need to reduce spending and find more ways to get revenue, which could mean tax reform versus a tax increase.”

“When I look at the culprits, I’m proud to say agriculture is not one. The last farm bill was paid for and we actually contributed a little bit to deficit reduction. We’ve seen record farm income and record exports. In virtually every way, we’ve seen a program that worked well for producers and worked well for taxpayers,” Conrad said. Agriculture is a tiny percent of the budget, especially when nutrition is excluded, he explained.

As a proactive measure, the House and Senate Ag Committee leadership recommended $23 billion in cuts from farm programs over 10 years to the Joint Select Committee. And, at the time of the conference, the Ag Committee leadership was working to provide a five-year legislative proposal before Nov 23. Congress must act on the committee’s proposal by Dec 23. If legislation is not enacted at that time, automatic spending cuts go into effect starting in 2013 (“sequestration”). If the Select Committee advances a recommendation, it advances without the ability to be amended or filibustered and could become law by the end of this year.

Conrad hopes they can agree to the $23 billion in savings in a way that keeps the safety net intact. “The stakes are high and it is critically important that we get this right,” he said.

The new Farm Bill must be defensible, cost-effective, and less complex and reduce duplication, he said. His priorities for the bill include crop insurance, conservation, and a universal livestock disaster program.

Conrad advocates the creation of a revenue assurance program that covers losses of 10-25% to complement crop insurance (which covers dramatic, catastrophic losses) and replace direct payments. A shallow-loss program would provide protection against drops in price, production or quality. It would reduce complexity and dramatically improve the timeliness of payments.

Conrad also wants to expand renewable energy. “We are spending a billion dollars a day to buy foreign energy,” he said. “Imagine how much better off we would be as a nation if that money stayed here at home, and instead of turning toward the Middle East, we look to the Midwest. A billion dollars a day – that would create hundreds of thousands of jobs in this country and strengthen our economic security.”

In the end, participating in the spending reductions is necessary for our country’s success, Conrad said. “We’re going to have to do a lot of things we prefer not to do to get this back under control.”

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Panel Discusses Emerging Issues in the U.S. Sugar Industry

Tom Earley, Executive Vice President of Promar International (being renamed to Agralytica) and Kevin Price, Director of Government Affairs for American Crystal Sugar Company, discussed emerging issues in the U.S. sugar industry, at times offering varying views on trends and policy.

Earley began his remarks by recalling issues that impacted the sugar industry, including biotech sugar beets, the outlook for world sugar ethanol markets, trade utilization efforts, and the competitive situation between sweeteners.

“The world sugar situation is a bit on the tight side,” Earley said, pointing to record wholesale and retail prices and the USDA sugar program as reasons for the price increases.

Another factor was that there was a poor sugar cane crop last year in Brazil, which produces half of the world sugar exports. Additionally, the United States, Brazil is the biggest producer of ethanol. Since half of Brazil’s sugar cane crops go to ethanol, the poor crop last year triggered a decline in ethanol for the first time in many years, he said.

“As we look ahead, world sugar prices are probably going to be not far from our sugar price support loan rate which is a little under 19 cents a pound. This has implications for how protective we need to be in supporting our industry,” Earley said.

When discussing factors on trade liberalization efforts, Earley said the European Union, which produces about 3 to 4 times the beet sugar that covers the US market. “As we look to the future, we see the price gap closing. The ingredient prices are up for both the European Union and Brazil, which produces half of the world sugar exports.”

Earley said, pointing to record wholesale and retail prices and the outlook for world sugar ethanol markets, trade utilization efforts, and the competitive situation between sweeteners.

Earley then turned toward sugar as part of the Farm Bill and Super Committee budget process. Sugar producers would like to be included since other commodities are represented in the process, he said.

“The food and beverage companies and consumer groups work very closely with the U.S. sugar industry to ensure that sugar is available when needed, when needed,” Earley said. “Farm programs have to work for consumers as well as for producers.”

The structural deficit for sugar and trends around import quotas and jobs are problematic, Earley said.

“Two things you should know about sugar and the budget. We can’t continue to manage the sugar program the way we’ve been managing it. That’s why we have record sugar prices – we don’t have enough sugar coming into the country,” he said. “High sugar prices will eventually cause a train wreck. I think it’s time to restore balance to our sugar policy. It’s time for a less intrusive government program.”

Kevin Price, American Crystal Sugar Company

Price shared his view of the benefits of sugar policy in impact of the sugar industry, and his position on a new Farm Bill.

U.S. sugar policy and the U.S. sugar industry are success stories, Price said. “We’ve got a solid foundation of support in Washington.” He added that he believes sugar will be a part of the Super Committee process.

Price responded to Earley’s comments, saying the premise that the increased cost of sugar being passed through to consumers was flawed.

Related to world markets, Price said the EU’s conversion from a net exporter to net importer was cautionary tale for us and Mexico’s unrestrained access to our sugar markets has led to substitution issues. “It’s led to the attitude, we can always sell the surplus in the world,” he said. “We’ve got a solid foundation of support in Washington.” He added that he believes sugar will be a part of the Super Committee process.

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U.S. sugar policy is not broken; it doesn’t need fixing,” he concluded.

Sen. Kent Conrad

From left, Tom Earley, Kevin Price
“Private delivery is the fastest, most efficient way to do (crop insurance).” – Mike Day

RCIS, the largest provider of crop insurance, serves about 22-23% of the market and writes in all 50 states, most heavily in the Midwest. It partners with the USDA and the Risk Management Agency, complying with RMA rules, rates and policies.

“We’re out there for the farmer and to administer the program. Private delivery is the fastest, most efficient way to do it.” Day said. About 85% of the crops that his organization covers are corn, soybeans, wheat and cotton, although RCIS covers 137 crops produced in the U.S.

“This year – especially here in North Dakota with prevented planting – was one of the best years to show the benefits of crop insurance,” he said, though, “it’s pretty hard to find an area that didn’t get hit from coast to coast. This was a big loss year.”

Day listed some trends he’s seeing, including a steady rise in covered acres and “sky-high” liabilities due to commodity prices such as $6 corn. The crop insurance business is IT, capital, and regulatory intensive, he said, as well as labor intensive. “This is not like going online to buy car insurance. This is complex and something our agents and RCIS have to do with every policy holder, every year, and it’s a big job.”

When farmers have a claim, RCIS adjusters go onsite at least twice. That contributes to the cost and complexity, but farmers appreciate the service level. “Producers share in the cost, so it’s defensible. They’re taking personal responsibility for the risk,” he said.

Going forward, Day worries about back-to-back disasters and price declines. He expects the future to involve streamlining regulations and reporting requirements, developing new products, refining old products, and focusing on advanced technology such as precision farming.

“Competition is based on service to the grower. The ability to get a claim paid quickly is an important part of the success,” he said.

While the program has become more flexible, he said they need to address gaps in the crop insurance program. Some areas include looking at the program. I think they realize how important it is, so I’m confident we’ll survive in the new Farm Bill.”

Murphy said crop insurance is an example of a credible federal program and a successful public/private partnership. “Competition is based on service to the grower. The ability to get a claim paid quickly is an important part of the success,” he said.

He’d like to see some expansion since crop insurance can make a strong case for production loans.

“I’d like to see more commodity growers get that same advantage that corn and bean guys get. When you can go into your banker and say, ‘Come hell or high water, I’m going to get this much money,’ that’s pretty powerful,” Murphy said.

In the next Farm Bill, they hope to get more flexibility for the Board of Directors to introduce new programs and prioritize where there is a distinct need. But the challenge is scale. They currently have programs for about 85% of the planted acreage, most of which represents four crops – corn, soybeans, wheat and cotton. Covering the remaining 15% of crops – without going one by one – would be prohibitive, he said, so one potential solution could be an umbrella program.

There have been a lot of program improvements, Murphy said. One change that received positive feedback involved prevented planting in the prairie pothole region. In an effort to address unjustified claims, they put forth a proposal to limit prevented planting claims to acres that have had a crop planted and harvested at least once over a three-year period. They later changed it to once every four years.

“Don’t want to get in the situation where there’s an incentive to have a loss.” – Bill Murphy

From left, Bill Murphy, Mike Day

Day painted a picture of the current crop insurance landscape and the success of the private/public partnership in delivering crop insurance to farmers.

“Do we want a situation where there’s an incentive to have a loss?” – Bill Murphy
Tom Buis, President and CEO of Growth Energy, and Dennis Nuxoll, Managing Director at America Farmland Trust, discussed emerging issues in agriculture in our country, including the expansion of renewable energy, good conservation practices as the world population expands, increased corporate interest in sustainability practices, and efforts to combat obesity with better nutrition. Kevin Skunes, Chairman of the North Dakota Corn Utilization Council, moderated the session.

**Tom Buis, Growth Energy**

Ethanol is one of the most successful sectors in agriculture, and federal policy should put a priority on expanding renewable energy, Buis said.

One challenge in the ethanol industry is misinformation, he said. “We have watched our critics put together multi-million dollar campaigns to blame ethanol for higher food prices. This may be the biggest lie I’ve ever heard. It’s not food versus fuel,” he said. “The theory is we’re starving poor people around the country because we’re using too much corn for the production of ethanol.”

A criticism is that 40% of the corn crop is used for ethanol, he said, but it’s actually close to 23% because the starch is extracted for ethanol and the fiber, oil and protein are returned for other uses like feed. Additionally, we have enough capacity for livestock feed, industrial uses, ethanol, and exports.

Buis said the Renewable Fuels Standard, which mandates the production of 36 billion gallons of biofuel by 2022, is at risk. He said it would be a mistake to roll back this policy because it’s working, citing how the U.S. is currently at 14 billion gallons in just four years, with ethanol representing about 10% of the market.

“We have made a difference. We can make more of a difference – but we have to have the right public policy,” he said.

The ethanol industry contributes $65 billion to the GDP and supports half a million jobs, he said, “here, not in some foreign country that doesn’t like us.” He contrasted the cost of importing foreign oil and wars to the investment of developing our own renewable fuels.

“I think we can do better than that. It’s time for us to stand up as Americans, create jobs here, reduce our dependence on foreign oil, and improve our environment.”

**Dennis Nuxoll, America Farmland Trust**

Nuxoll reviewed the importance of some of the areas of the Farm Bill other than production agriculture: the conservation and nutrition titles.

“It’s always important to remember why we need conservation programs, especially in the current fiscal environment,” Nuxoll said.

Getting E15 into the market is critical to the renewable fuel industry, Buis said. “That’s allowing 15% of the fuel that goes into your gas tank to contain ethanol. Right now the mandate only allows 10%.”

He said extensive testing showed that there were no problems with E15. NASCAR’s experience using E15 should also be part of their success story, he added. “They’ve had no problems with ethanol. In fact, they gained horsepower and they didn’t lose mileage.”

Farm policy can play an important role in ensuring the success of the ethanol industry.

“While we hope prosperity is here for as far as we can see, we know there’s going to be hiccupas and that’s where government can actually help,” he said. The previous Farm Bill introduced an energy title that promoted advanced biofuels but that industry was sidelined by the economic collapse and is just now coming back, he said.

**It’s always important to remember why we need conservation programs.** – Dennis Nuxoll

The world population crossed the 7 billion threshold recently and will reach 10 billion in the next three or four decades. “That will require every single farmer, not only in the United States but the world, to increase their production or we won’t be able to feed, clothe and provide fuel to those 10 billion people,” he said.

Another trend related to conservation is increased regulatory pressure at the local, state, and federal level and increasingly from corporations like Wal-Mart, the largest agricultural buyer in the country, that demand certain minimum sustainability standards. “All of those pressures can be lessened by a vigorous conservation title,” he said.

The conservation title of the Farm Bill is actually the largest federal environment program, not the EPA or Interior Department, Nuxoll said. It represents about $5-6 billion a year in spending, the largest federal government program on the environment from a cost share perspective.

Going forward, he expects to see a 15-20% cut in funding for the conservation title and he expects programs to consolidate and simplify. As the agency consolidates programs, it will be more difficult to have regional-specific programs, he added, as resources are focused on the 20% causing 80% of the environmental problems. Another reduction he expects is with CRP, moving from 29 million acres to 25 million.

Nuxoll said his organization strongly supports reattaching conservation compliance to crop insurance, especially since crop insurance will become more important to producers going forward. Tying the two shouldn’t be difficult, he said, because only 5% of wheat and corn producers in the country who have crop insurance are not receiving title 1 payments, so that means only 5% of those who currently buy crop insurance don’t already have a conservation compliance requirement.

The nutrition title of the Farm Bill is also critical. Nuxoll said 40 million Americans benefit from the Supplemental Nutrition Assistance Program. “Those Americas are not all in urban spaces. They are some of your friends and neighbors in rural America.”

Besides helping the broad American population through nutrition education and assistance, the nutrition title is also instrumental in convincing urban members of Congress to vote for the Farm Bill, Nuxoll said. Going forward, he expects nutrition programs to address trends around healthier diets, with some programs expanded to reflect the new dietary guidelines and efforts to address childhood obesity.
Ensuring a strong safety net for American farmers and ranchers is a key priority for many ag leaders. In a panel titled “Fundamentals of the New Farm Bill: Making the Case for Agricultural Community,” five participants shared what their organizations believe should be included in the next farm legislation—emphasizing the need for crop insurance and a shallow-loss revenue program. Aaron Krauter, State Executive Director of the Farm Service Agency, facilitated the discussion.

WAYNE HURST, NATIONAL ASSOCIATION OF WHEAT GROWERS
Wayne Hurst, President, National Association of Wheat Growers, spoke about the importance of farm policy and how the U.S. – as the biggest economy in the world – can and should take a leadership role in leading the world in agriculture. However, the budget deficit is a definite factor as we formulate the next Farm Bill. “We’re the healthiest horse in the glue factory,” he said, quoting Alan Simpson from Wyoming.

Crop insurance is a top priority, Hurst said, describing it as a private-public partnership that serves farmers and the country well. About 85% of non-irrigated wheat crops are covered by crop insurance.

“Crop insurance is the most consistent program that we have in our risk management program,” he said. "It’s a top of our list of priorities. It’s the only program that’s defensible to all taxpayers. It’s a direct subsidy to people who have financial commitments like rent or loans.

We want a safety net. We need to maintain a strong, domestic supply of food,” he said. Farm policy in the U.S. affects our domestic food supply, where wheat is grown in 40 of 50 states. Farm policy also affects the world’s food supply, since we export about half our wheat crop every year – representing 30% of the world’s imports of wheat. Additionally, roughly 20% of the world’s calories come from wheat.

Another priority is to create a revenue program that covers shallow losses, as a tool to complement crop insurance. Hurst said the program that Sen. Conrad’s office has proposed is very appealing.

Hurst also advocates a transition period for the elimination of direct payments since producers may have financial commitments like rent or loans.

“Crop insurance is the core of our agricultural safety net, and has already contributed $6 billion to debt reduction. ASA believes prevented planted (acres) have to be part of the Farm Bill,” he said. “One of the big things that makes us different from the rest is that we believe prevented planted (acres) have to be part of the Farm Bill,” said Ostlie. He added that crop reporting districts were too big. “We feel the closer you get to the farm-level production, the better it is, and that’s why we want farm level instead of crop reporting districts.”

While the association supports the federal efforts to reduce spending, he said that cuts should be proportionate between commodity and conservation programs.

MARK LANGE, NATIONAL COTTON COUNCIL
Mark Lange, President and CEO of the National Cotton Council, said his group is unique because it fully represents the entire cotton industry, not just growers. The group felt the last Farm Bill was favorable to their industry and so “status quo was just fine,” he said.

Lange reviewed the Brazil World Trade Organization dispute with the U.S. cotton industry, since it had broader implications. The case challenged many aspects of the U.S. farm programs, including direct payments and crop insurance. It also challenged the export credit program, which affected all crops not just cotton. A panel found that the export credit program was a prohibited export subsidy, but direct payments and insurance were not trade distorting.

Like several of the other leaders of agricultural groups, Lange advocated the creation of a shallow-loss, wide-area revenue product to complement existing crop insurance programs.

GARY NIEMEYER, NATIONAL CORN GROWERS ASSOCIATION
Garry Niemeyer, President of the National Corn Growers Association, reviewed his organization’s priorities for the next Farm Bill and discussed the current financial context.

“Agriculture is prepared to take our proportionate share and only our proportionate share of budget cuts. I was very disturbed when there are no other groups stepping up to the plate throughout the United States to announce that they are willing to do their part,” Niemeyer said. “This is why we have a problem – everyone wants to not lose anything.”

He also stressed that, while they are willing to participate in the spending reductions, they want to be sure the Agricultural Committees help determine how the cuts are made.

Niemeyer also said corn growers need to manage their risk while ensuring food security. He said safety net program helped provide protection from adverse weather, diseases and volatile commodity markets. He said they advocated transferring direct payments to other risk management tools, as well as finding ways to simplify programs and make them more efficient.

The group has asked the Risk Management Agency to make crop insurance programs more efficient and affordable.

Niemeyer outlined the National Corn Growers Association’s proposal for the Ag Disaster and Assistance Program and provided detailed comparisons between programs.

While the group favors a program that protects farmers from revenue losses, Niemeyer added that they don’t appreciate the term “shallow loss” because of criticism from the press. “What does shallow loss mean? It means a yield reduction or a relatively consistent pattern of price reductions over a period of years,” he said.

Continued investment in research is important, Hurst said, as well as conservation, although the conservation programs could be streamlined.

RICHARD OSTLIE, AMERICAN SOYBEAN ASSOCIATION
Richard Ostlie, Past President of the American Soybean Association and Member of the Farm Bill Task Force, discussed his group’s priorities for the next Farm Bill.

Among their priorities is a revenue assurance program that complements the existing crop insurance program. This risk management program would partially protect growers from revenue losses resulting from low prices or reduced yield, Ostlie said. They have proposed established a commodity-specific revenue benchmark based on historic yields and prices. The Soybean Association’s proposal has a few differences from the plan created by Sen. Conrad’s office, Ostlie said. For example, they have recommended crop-specific instead of whole farm.

“One of the big things that makes us different from the rest is that we believe prevented planted (acres) have to be part of the Farm Bill,” Ostlie said. He added that crop reporting districts were too big. “We feel the closer you get to the farm-level production, the better it is, and that’s why we want farm level instead of crop reporting districts.”

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Working on trade agreements is critical since half of all soybeans are exported, Ostlie said. He cited an example of a potential buyer from South Korea facing a 487% tariff on U.S. soybeans. “We can promote our product all you want, but when you’re looking at almost five times the price for a tariff, it really keeps you out of the country.”

He concluded by advocating efforts to support biodiesel. “The best way to stop terrorism is to stop their funding,” Ostlie said, referring to the oil imported from the Middle East. “And the way you stop their funding is to use renewable fuels from the Midwest.”
SUZANNE HEINEN, USDA FOREIGN AGRICULTURAL SERVICE

Suzanne Heinen, the acting administrator of the USDA Foreign Agricultural Service, outlined why she thinks crops from America have a competitive edge over exports from other countries. She also spoke about how her agency is helping to expand export opportunities for farmers and ranchers in the United States.

“Yes, we can compete. It has to be the answer. I have reason to be optimistic,” Heinen said. She cited exports as a bright spot in our economy with a record forecast of $137 billion. That is $22 billion higher than the previous record of the dollar has played a role, and, yes, high prices have helped to push these numbers up. But the fact remains that our farmers are the most productive in the world,” she said. Farmers have responded to the growing global demand by leveraging technology to drive higher yields.

The U.S. still faces competition for the export market from markets like the European Union, Brazil, Argentina, Russia and India. “But we also have new opportunities,” Heinen said. “China has recently become a buyer of corn from the United States, and only time will tell how large a buyer they will be to given their expanding middle class and rising demand for meat products.” Heinen is confident that the U.S. can be a competitive player in new markets like Asia. She cited an example of a recent Vietnam visit, where this developing market asked only about quality and safety, not about price.

U.S. agricultural products can be distinguished from others in these three areas: high quality and safety, reliability of supply, and competitive price.

“These factors give the U.S. a competitive advantage over other exporters in the key markets where we are looking to make our inroads,” Heinen said. “As long as we remain flexible and innovative in the marketplace, our expectations at USDA are yes, the U.S. can continue to compete.”

Continuing to open and expand access to foreign markets is critical to remaining competitive, and helping farmers and ranchers identify and seize opportunities abroad is the role of her agency, Heinen said. Two key programs that help with these efforts are the Market Access Program and the Foreign Market Development Program.

“The impact of these programs is striking,” she said, citing a 35% increase in exports for each dollar spent.

Looking into the future, Heinen’s agency is working to strengthen our position in Asia and secure more reliable access to Russia.

“The challenges are numerous,” she concluded. “Everyone is active and we have to stay active as well.”

SUZANNE HEINEN, TERRY ROE, UNIVERSITY OF MINNESOTA

Terry Roe, a professor at the University of Minnesota, discussed macroeconomic imbalances in the world economy and the implications to U.S. agricultural trade and competitiveness.

He said the likelihood of foreign markets contributing to the growth of U.S. agriculture is promising, and he encouraged the expansion to additional export markets.

“The competitiveness of U.S. agriculture in world markets is directly linked to the globalization of the world economy and the global macroeconomic imbalances that globalization has spawned over the last decades,” Roe said.

“Globalization is in its early stage so these forces will impact agriculture far into the future. These forces affect the growth in demand for food as income growth causes households to increase the quantity and quality of food consumed,” he continued.

“These forces change relative competitiveness among trading partners as exchange rates react to reflect changes in relative overall competitiveness. The recession, starting in 2008, is in part due to globalization. Unwinding the recession and global imbalances, primarily the relatively huge U.S. current account deficit, will further affect U.S. agriculture’s competitiveness,” Roe said.

Roe said these forces are likely to affect the sector’s competitiveness through both greater exchange rate depreciation relative to the U.S.’s major trading partners, growth in trading partner real income, the rising world prices of the world’s exhaustible resources as they are transmitted through higher up and down-stream costs of agricultural production, and changes in foreign competition.

“Rising imbalances should cause the dollar to depreciate, and the potential for economic growth of our major agricultural trading partners appears relatively promising,” he said. “These two factors have, historically, explained about 70% of the growth in U.S. agricultural exports.”

“Compared to other aggregate sectors of the economy with which agriculture interacts, the agriculture-food sector tends to employ a relatively large share of the products of exhaustible resources, whose world prices are rising at unprecedented rates due to world demand. Preliminary analysis suggests these rising components of production costs are not likely to reverse the trends in agricultural exports,” Roe said.

Over the next several years, foreign competition is most likely to come from Brazil, he said.

“While Argentina has great agricultural potential, policy currently taxes her agriculture far into the future. These forces affect the growth in demand for food as income growth causes households to increase the quantity and quality of food consumed,” he continued.

Roe recommends that the U.S. seek to maintain good trading relationships with these key customers.

“The growth in the other one-half of agricultural exports to the rest of the world is prone to volatility,” he said. “Nevertheless, broadening the ‘customer base’ should offer potential to grow exports and reduce the vulnerability of country-specific economic shocks’ affect on the demand for U.S. agricultural exports.”

Pat Westhoff, University of Missouri

Pat Westhoff of the Food and Agricultural Policy Research Institute at the University of Missouri outlined his perspective on the outlook for agricultural exports and whether the U.S. can compete. He said targeting export growth in middle-income countries where people are changing their diets may be the key to future growth.

“The value of U.S. agricultural exports has doubled in the last ten years. Much of this increase can be explained by higher prices for grains, oils and cotton, as the volume of bulk commodity exports is about the same as it was 30 years ago,” he said. “Value-added and high-value products such as meat, poultry, fruits and vegetables now account for most of the value of U.S. agricultural exports.”

Trade patterns are also shifting, however, Westhoff said.

“In 2010, China was the single largest importer of U.S. agricultural products and is now the world’s largest importer of soybeans and cotton,” he said. “If NAFTA trading partners have also increased their share of U.S. agricultural exports and have surpassed Japan and the European Union as importers of U.S. agricultural products.”

Westhoff continued, “While feeding a growing world population continues to be a challenge, the rate of growth in the world’s population is slowing. As a result, future export demand for many agricultural products may depend more on income growth in middle-income countries and the resulting changes in diets than on future population growth. In China, for example, rising incomes have led to increased meat consumption, and the country is rapidly increasing its imports of soybeans to produce the protein meal needed to feed the animals that will supply that meat.”

Biofuel market developments are also critical to future U.S. agricultural exports, Westhoff said.

“The United States has, at least for the time being, become a net exporter of ethanol. More importantly, the increase in biofuel production has contributed to the higher crop prices that have raised the value of U.S. exports but limited growth in export quantities,” he said.

“Under a continuation of current policies, moderate global economic growth and other plausible assumptions, FAPRI-MU estimates that U.S. grain exports will vary from year to year but not have a distinct trend over time, as continued high average prices encourage increased competitor supplies. In contrast, FAPRI-MU does project further modest growth in U.S. soybean and meat exports, as rising incomes increase global protein demand,” he said.

“Agricultural markets are likely to remain volatile in the years ahead in response to unexpected developments in the global economy, the weather, and policy,” Westhoff said. “Government actions to protect domestic markets could continue to limit global trade, while other countries may continue to pursue policies that effectively discourage investment in agriculture.”

“Some U.S. farm policies directly promote exports, while others affect U.S. exports indirectly by increasing production or by promoting alternative uses of U.S. agricultural products. While increased export demand will generally benefit U.S. agriculture, some policies that would tend to increase U.S. agricultural exports will not necessarily help U.S. producers,” he said. “For example, reducing support to the biofuel industry would probably result in at least some increase in the volume of U.S. agricultural exports and benefit some segments of U.S. agriculture, but would probably reduce overall net farm incomes.”
Critical to extend it so it covers livestock losses as well as crops.

programs for additional crops need to be created.

Without payments through crop insurance, farmers would net, as well as security for food, feed, fuel and fiber.

Union, echoed the comments on having a strong safety

system that can decipher and identify good practices is very

Continued independent agriculture research is critical for

in the last year since these pumps have been installed.

ethanol demand rises. E85 sales have increased well over 100%

blender pump – or flex pump – marketing program in this state.

10% of the nation's gasoline, "Where would fuel prices be if we

economy as well as to farmers. Since ethanol makes up about

Sound ethanol policy is important to consumers and the

it can be easy to react to attacks on the Farm Bill, Goehring said. Instead we should emphasize the

message of food security for our nation.

"We provide something to the American public that I think
you have truly forgotten about – food, fiber, feed and fuel," he

he emphasized that, although the process wasn't as

worrying. "Anyone who was a top priority for the upcoming Farm Bill. The North Dakota

established to ensure that the people of this nation had the ability to

producing food within its borders without going outside."
Three professors from across the country shared their views on farm legislation during a panel titled “Designing an Appropriate Policy Framework for Production Agriculture.” They spoke about how to ensure the Farm Bill is defensible, whether future policy should be based on assumptions of continued profitability, and the premise of seeking policy complementarities. Terry Weckerly of the North Dakota Grain Growers Association moderated the discussion.

**JOE OUTLAW, TEXAS A&M UNIVERSITY**

Joe Outlaw is a professor and Extension Economist at Texas A&M University, as well as the Co-Director of the Agricultural and Food Policy Center. He shared his views on how to design a defensible policy framework based on his work and the current budget and political realities.

Outlaw’s work with the AFPC has familiarized him with farming operations across the United States.

“Currently, we work with 64 representative farms located in major production regions for the primary crop programs. Four to six farmers assist with developing each farm, so we have a lot of interaction with producers from different regions and crops on an annual basis,” Outlaw said. “My perspectives on agricultural policy come from this interaction with real producers who are often faced with many different challenges – ranging from weather to agricultural policy.”

As leaders work on the 2012 Farm Bill, Outlaw said a safety net for production agriculture must include four characteristics in order to be easily defended.

“First, we need a safety net policy that helps when it is needed and doesn’t provide assistance when it isn’t needed. This concept essentially means the safety net should be counter-cyclical – provide assistance when needed and doesn’t provide assistance when it isn’t needed,” Outlaw said.

“The second characteristic is that the safety net needs to be easy to explain to those it is intended to help as well as taxpayers – those paying the bill,” he said. “For example, the ACRE program sounded appealing, Ray continued, some considerations need to be taken into account.

While an extended stretch of profitability for U.S. crop agriculture sounds appealing, Ray continued, some considerations need to be taken into account.

“Much of the run-up in grain prices during the last four years was due to the phenomenal growth in the use of corn for ethanol,” he said. “That rate of growth will not be available to the grain markets in the years ahead. Clearly, achieving a 70% increase in food production by 2050 to feed 9.5 billion people will impact the agricultures of the U.S., food-importing countries, and our export competitors. Not unlike Carley Simon’s song ‘You...’, U.S. farmers and agricultural stakeholders expect that U.S. agriculture will capture the lion’s share of that increase.”

That expectation is likely to be untrue, Ray said.

“When crop prices explode upward like they have the last few years, and like they did in the 1970s, a couple of things happen. For one, importers ratchet up their already well-developed penchants for being bold and enterprising countries for staple foods. They ramp up investment in their agriculture and take other steps to improve food security. As we have seen, that can include securing the use of land in other sovereign nations,” he continued.

“Not unlike Carley Simon’s song ‘You...’, U.S. farmers and agricultural stakeholders expect that U.S. agriculture will capture the lion’s share of that increase.”

That expectation is likely to be untrue, Ray said.

Professor Outlaw continued, “My third characteristic would require the moving parts and/or triggers to meet for a layperson to understand.”

“During farm bill debates, there usually is an explicit or implicit consensus on how prosperous and volatile crop agriculture will be during the years ahead. This consensus is usually an extrapolation of agriculture’s economic conditions during the preceding three years into the future,” Ray said. “Also, there tends to be a gravitation toward a policy direction for the farm bill, sometimes the occurs early on and sometimes just prior to passage of the bill.”

While production and price volatility are expected, it is assumed that agriculture will remain on a prosperous path, fueled by population increases and rising income in developing countries.

“There is a presumption that crop prices will not return to their pre-2008 levels,” Ray said. “Two-dollar corn will not occur again. In fact, $3 per bushel corn won’t either. Ethanol and export demands will put a floor on grain prices, precluding prices from plummeting to levels of the past.”

An extended stretch of profitability for U.S. crop agriculture sounds appealing, Ray continued, some considerations need to be taken into account.

“In the past when importers and export competitors reacted to high price periods, excess capacity and excess production flooded the market a few years later,” he said.

“Not the least of which is that it can guarantee profits above the cost of production during times of extremely high prices—like now,” he said. “But when prices are low, especially for multiple years, it ‘guarantees’ a proportion of low prices even when those low prices are below the cost of production. It can be an upside-down safety net in which farmers receive protection when they do not need it, but are given little help when they do. Insurance makes sense for yield protection but other programs are intended to address price extremes. It is to true that the future bags for a policy for all seasons, then both yield insurance and other program instruments will be needed or it will be ‘deja vu all over again’ akin to the emergency payments that followed the 1996 Farm Bill.”

**DARYLL RAY, UNIVERSITY OF TENNESSEE**

Daryll Ray, UniverSiTy oF TenneSSee

Daryll Ray has a professor at the University of Tennessee, said that a consensus on future economic conditions and a revealed preference for a policy direction also underlie much of the 2012 Farm Bill discussion.

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**DAVID SCHWEIKHARDT, MICHIGAN STATE UNIVERSITY**

David Schweikhardt, a professor in the Department of Agriculture, Food and Resource Economics at Michigan State University, discussed the premise of seeking policy complementarities.

“The design of an appropriate policy framework for U.S. agriculture requires the use of policy complementarities wherever possible,” Schweikhardt said. “As the economist Jan Tinbergen noted long ago, in any area of public policy, the number of policy tools must equal the number of policy targets (objectives) if all of the policy objectives are to be accomplished. U.S. agricultural policy faces a lengthening list of policy objectives that are demanded by the public.”

Schweikhardt’s presentation examined a case in which two policy objectives – the objective of market access in international trade and the objective of providing a nutritious diet to consumers – could be achieved as complementary manner. He used the analogy of killing two birds with one stone – meeting two policy targets with one policy tool. Building on that analogy, he said one stone could kill one bird and injure another; or, in other words, one policy tool could meet one target and make progress toward another.

Schweikhardt questioned the policy issue of the Fruit, Vegetable, and Wild Rice planting restriction contained in the 2008 farm bill. This restriction has been a central issue in the U.S.-Brazil cotton case and threatens market access for U.S. agricultural exports, he said. At the same time, this restriction is perceived as making the farm bill “hostile” to the achievement of the intended “nice objectives” of the competition.

“Despite this perception, the limited evidence available suggests that the restriction does not have a major effect on producers’ planting decisions,” he said. “Regardless of the reality of the restrictions’ impact on the plantings of fruits and vegetables, the restriction does provide an opportunity to accomplish a complementarity between the trade policy objectives and the nutrition policy objectives in the U.S. agricultural policy framework.”
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